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RUEHAK/AMEMBASSY ANKARA 5911
RUEHBJ/AMEMBASSY BEIJING 3614
RUEHKO/AMEMBASSY TOKYO 3473
RUEHIT/AMCONSUL ISTANBUL 4153
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1259
RUEHVEN/USMISSION USOSCE 4106

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001495

SIPDIS

STATE FOR SCA/CEN; EEB;
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

E.O. 12958: DECL: 11/20/2019
TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [TX](#)
SUBJECT: TURKMENISTAN: EXXONMOBIL INCREASING ITS ENGAGEMENT
WITH GOTX

REF: A. ASHGABAT 1381
[1](#)B. ASHGABAT 1312

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. ExxonMobil officials have increased their presence in Turkmenistan over the last few months. Given the GOTX's plans to deliver up to 65 billion cubic meters of gas to Iran and China by the end of 2011, the company sees opportunities to gain GOTX trust in the hope of eventually getting an onshore deal (ref B). Company representatives suggested starting on projects at two oil refineries as a way to build such trust. In addition, company reps felt that the ongoing gas standoff between Russia and Turkmenistan had spurred the GOTX to consider all sorts of proposals from large energy companies. ExxonMobil stopped short of agreeing to an onshore service contract, insisting that any deal with Turkmenistan include the ability for the company to book reserves. END SUMMARY.

[1](#)2. (C) On the margins of the annual Turkmenistan International Oil and Gas Exhibition (TIOGE), ExxonMobil representatives met with Charge on November 17 to discuss the company's plans to present proposals to the GOTX in the nearest future. They noted ExxonMobil's role as a "gold" sponsor of TIOGE and one of the company's VPs would be speaking at the forum. ExxonMobil representatives were adamant that despite promptings from GOTX officials, their company was not willing to build the East-West pipeline, which would allow Turkmenistan to transport gas from the South Yolatan-Osman gas fields in southeastern Turkmenistan to the Caspian shore. The reps opined that no large energy company with shareholders would take a multi-billion dollar risk on a project that could not guarantee gas deliveries to Europe, given that no trans-Caspian pipeline was in the works yet.

[1](#)3. (C) ExxonMobil reps were pleased that the GOTX seemed to be engaging more with U.S. companies since the recent

U.S.-Turkmenistan Business Council Meeting held in Ashgabat on October 28 (ref A). The company reps regretted, however, that they did not have someone in town for the event, noting that GOTX officials sometimes notice companies that do not attend high-level events more than companies that do attend. Nevertheless, they added that they had positive signals from Turkmen Deputy Chairman for Oil and Gas Baymyrat Hojammedov and Head of the State Agency for the Management and Use of Hydrocarbon Resources Yagshygeldi Kakayev, and as a result were busy preparing proposals to take to back to the GOTX. They understood the GOTX was leery of production sharing agreements (PSA), but they still insisted that the company be able to book reserves as part of a deal, regardless of what the agreement would be called (e.g., a PSA or risk service agreement). They added that ExxonMobil was working in a "low-key" fashion with officials from Turkmengaz and TurkmenGeologia in order to mesh its proposals with projects the GOTX "was in a hurry to start."

14. (C) ExxonMobil reps acknowledged that they have considered partnering with the GOTX on providing technology licenses at the Turkmenbashi and Seidi oil refineries. In addition, the company has not ruled out spending additional money at these refineries in order to help ExxonMobil look good in the eyes of GOTX officials. They added, however, that they would not pursue any project in "blind faith" and that they would have to receive guarantees from the GOTX that any preliminary projects could lead to an onshore deal in the future.

15. (C) According to ExxonMobil reps, the GOTX is hurting financially from the lack of Russian revenues for Turkmen gas

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since April. Their contacts at foreign construction companies stated that, in the past, the GOTX was able to pay off buildings before they were completed, but now companies are receiving delayed payments. The reps added that Turkmenistan's policy to diversify its customer base is no longer a "stick to beat the Russians with," but instead is a necessary step to regain lost hydrocarbon revenues. They asserted that Turkmenistan's good business relationship with China has resulted in an additional \$5 billion loan from the Chinese, which the Turkmen can pay off via in kind with gas within 2-3 years when 40 billion cubic meters (bcm) of Turkmen gas is flowing to China. (Note: China has already loaned the GOTX \$4 billion, bringing the total loan amount to \$9 billion. End note.)

16. (C) Gas swaps between Iran and Turkmenistan, according to the reps, would be a way for Turkmenistan to gain revenue for gas that would be consumed in Iran and then replaced with Iranian gas shipped to Turkey. Through this swap, Turkey would be able to save on transit fees, due to a decrease in distance to the end user. The new Dowletabat-Sarakhs-Khangiran pipeline, expected to be completed by the end of 2009, will add up to 12.5 bcm to the Turkmen gas exports to Iran. This will bring the total potential annual amount of Turkmen gas exported to Iran to 25 bcm. When combined with up to 40 bcm of gas designated for China, the GOTX could eventually export up to 65 bcm of gas per year without calculating any volumes to Russia.

17. (C) COMMENT. ExxonMobil's current assessment of long-term possibilities in Turkmenistan is more positive than it was only a month ago. Company officials hope the GOTX's proactive stance to diversify its gas customers will result in greater foreign investment, which could lead to increased hydrocarbon production. Like other large, energy companies, ExxonMobil is no longer insisting on a PSA with the Turkmen. At the same time, ExxonMobil is not interested in offshore blocks, nor in onshore service contracts. It hopes that increased engagement with the GOTX, and President Berdimuhamedov in particular, will result in an onshore deal sometime in the future. END COMMENT.

CURRAN